

**SUMMARY PROGRAM DESCRIPTION**  
**for**  
**City of Lincoln**  
**Transportation Benefit Plan**

**Effective Date- November 1, 2005**

## **Introduction**

City of Lincoln ("Employer") is pleased to announce that it has established a Transportation Benefit Plan ("Program") for you. City of Lincoln provides you with the opportunity to use pre-tax dollars to pay for Eligible Transportation Expenses by entering into a salary reduction arrangement instead of receiving a corresponding amount of your regular pay.

This Program Summary describes the basic features of the Program, how it operates, and how you can get the maximum advantage from it. This is only a summary of the key parts of the Program, and a brief description of your rights as a Participant. It is not a part of the official Program document. If there is a conflict between the Program document and this Program Summary, the Program document will apply.

## **General Information**

This section contains general information you may need to know about the City of Lincoln Transportation Benefit Plan.

- 1) City of Lincoln Transportation Benefit Plan is the name of the Plan.
- 2) Your Program's records are maintained in twelve-month time periods. This is known as a Plan Year. A new Plan Year begins each November 1.

## **Employer Information**

Your Employer's name, address and telephone number is:

City of Lincoln  
555 South 10<sup>th</sup> Street  
Lincoln, NE 68508  
(402) 441-7883

## **Claims Administrator**

PayFlex™ Systems USA, Inc.  
P.O. Box 3039  
Omaha, NE 68103-3039  
[www.mypayflex.com](http://www.mypayflex.com)  
FAX: (402) 231-4310  
(402) 345-0666  
(800) 284-4885

The Employer keeps the records for the Program and is responsible for the administration of the Program. The Employer will also answer questions you may have about the Plan.

## 1. What is the purpose of the Program?

The purpose of the Program is to allow eligible employees to use funds provided by the Employer through employee salary reduction to fund Eligible Transportation Expense (defined in #8).

The plan includes two options:

Option 1 – Pretax Transportation Expense Conversion Option – This option allows you to pay your portion of the cost of Employer-sponsored parking on a pretax basis.

Option 2 – Transportation Expense Reimbursement Account Option – This option allows you to set aside pretax dollars into a reimbursement account that can then be used to pay for non-Employer-sponsored parking and other qualified commuting expenses.

## 2. Who can participate in the Program?

You are eligible to participate in the Program if the Employer classifies you as a common-law employee and you are not within any one of the following categories:

- a) any leased employee (including, but not limited to, those individuals defined in Code § 414(n);
- b) any individual classified by the Employer as a contract worker, independent contractor, temporary employee or casual employee, whether or not any such persons are on the employer's W-2 payroll or are later classified as common-law employees by a government agency or pursuant to a court action or other legal proceeding (including any settlement or judgment related thereto;) or,
- c) any employee covered under a collective bargaining agreement

## 3. What tax advantages are available through the Program?

The Program permits you to pay for Eligible Transportation Expenses with pre-tax dollars through salary reduction rather than regular pay. The use of pre-tax dollars reduces your taxable income and you save social security and income taxes on the amount of your salary reduction. The Table below illustrates the savings.

	<b>With Transportation Program</b>	<b>Without Transportation Program</b>
<i>Gross Monthly Pay</i>	\$2,500.00	\$2,500.00
<i>Pre-Tax Parking Under Program</i>	100.00	----
<i>Taxable Income</i>	2,400.00	2,500.00
<i>Estimated Federal Tax (15%)</i>	360.00	375.00
<i>FICA Tax</i>	183.60	191.52
<i>After-Tax Parking</i>	----	100.00
<i>Take Home Pay</i>	\$1,856.40	\$1,833.75

## 4. How do I become a Participant?

Assuming you are eligible, you become a Participant by signing an individual salary reduction agreement form, thus electing to participate in the Program. You will be provided with a salary reduction agreement form when you first become eligible to participate.

**5. Can I change my elections during a Coverage Period?**

No. Once a salary reduction agreement is made, it cannot be changed during the period to which it relates. However, changes may be made to your election for future periods provided that the change is made before the earlier of:

- a) the period to which it relates; and
- b) the receipt of Eligible Transportation Expense benefits to which it relates.

Such election shall be effective the first pay period after the Employer processes the change.

**6. What is my “transportation expense reimbursement account”?**

If you elect benefits under the Program, your employer will establish and maintain a non-interest-bearing transportation expense reimbursement account (“Account”) to keep a record of the reimbursements to which you are entitled. This account can be used to pay for non-Employer-sponsored parking or other qualified transportation expenses.

**7. How is my reimbursement account funded?**

When you complete the salary reduction agreement, you specify the amount of Qualified Transportation Expense benefits for which you wish to pay with your salary reduction. Thereafter, your Account will be credited with that portion of your gross income that you have elected to forego through salary reduction.

**8. What is an “Eligible Transportation Expense”?**

Eligible Transportation Expenses include:

***Parking Expenses***

Defined as expenses incurred to park your car on or near the business premises of the Employer or expenses incurred to park your car at a location from which you commute to work by

- a) mass transit facilities
- b) Commuter Highway Vehicle,
- c) carpool

***Transit Pass Expenses***

Defined as expenses incurred for a pass, token, fare card, voucher, or similar item (a “Pass”) for transportation

- a) on mass transit facilities, whether or not publicly owned, or
- b) provided by any person in the business of transporting persons for compensation or hire if such transportation is provided in a vehicle with a seating capacity of at least six adults (excluding the driver)

***Commuter Highway Vehicle (Vanpool) Expenses***

Defined as expenses incurred for transportation in a ‘commuter highway vehicle’ if such transportation is in connection with travel between your residence and place of Employment. A Commuter Highway Vehicle is any highway vehicle with a seating capacity of at least six adults (not including the driver), and for which at least 80% of the mileage is for purposes of transporting employees in connection with travel between their residence and their places of employment, and on trips during which the number of employees transported for such purposes is, on average, at least half of the adult seating capacity of the vehicle (not including the driver).

**9. What is the maximum Qualified Transportation Expense benefit I may elect?**

The maximum amount you may contribute to the Account cannot exceed the maximum amount specified in Code § 132(f). For 2005, the maximum amount is:

Parking Expenses	\$200/month
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Transit Passes/ Commuter Highway Vehicle Expenses (combined total)	\$105/month
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**10. How do I receive reimbursement under the Program?**

When you incur an expense that is eligible for payment, you must complete and submit a Request for Reimbursement Form (claim form which will be supplied to you) to the Claims Administrator. As a general rule, you must submit a receipt (or other third party verification) along with your claim form showing:

- Provider name/address,
- Date of service,
- Type of service provided, and
- Dollar amount charged for the service.

You can be reimbursed up to the amount of funds in your account not to exceed the monthly limits described above.

You will have up to 180 days after the date on which the expense was incurred or paid in which to submit a claim for reimbursement; except that at the close of the plan year, you will have 90 days to submit a claim for reimbursement.

If your claim for benefits is denied in whole or in part, the Claims Administrator will notify you in writing within 90 days of the date the Claims Administrator received your claim.

**11. What if I overestimate my Expenses?**

If your reimbursement request was for less than your current Account balance, the unused amounts in your Account will roll over and be available for future reimbursements. You may need to adjust the election for the next coverage period in order to use up your surplus Account balance. For example, if your monthly parking election (and anticipated monthly expense) is \$100, but you only incur \$75 worth of Eligible Parking Expenses in January, you might want to change your election for February to \$75 in order to use up the \$25 surplus from January. Then you can increase your election back to \$100 for March prior to March 1.

**12. What if I underestimate my Expenses?**

If your reimbursement request was for an amount that was less than the monthly maximum amount but more than your current Account balance, the excess part of the reimbursement will be carried over into following months to be paid out as your balance becomes adequate. Remember, though, that you can't be reimbursed for any total expenses above your available credits to your Account. You may not be reimbursed for any expenses that arise before your salary reduction agreement becomes effective.

If you are provided a Transit Pass that is purchased directly by the Employer, your Account will be debited directly for the cost of the Transit Pass. You will not need to submit a request for reimbursement form.

You will have 30 days after the end of the Program year in which to submit a Request for Reimbursement Form (claim form) for Eligible Transportation Expenses incurred during the Previous year. You will be notified in writing if any request for reimbursement is denied.

**13. When would I risk forfeiting my transportation account benefits?**

If you have any funds in your Account at the time you terminate employment/participation or stop being eligible, any amounts not applied for Eligible Transportation Expenses incurred prior to the termination or ineligibility will be forfeited. Also, any amounts that are unclaimed (or uncashed benefit checks) by the close of the plan year shall be forfeited.

**14. Will I have to pay any administrative costs under the Program?**

The Employer is bearing the entire cost of administering the Program.

**15. How long will the Program remain in effect?**

Although the Employer expects to maintain the Program indefinitely, it has the right to modify or terminate the Program at any time. It is also possible that future changes in state or federal tax laws may require that the Program be amended accordingly.

**16. What effect will Program participation have on Social Security and other benefits.**

Program participation will reduce the amount of your taxable compensation. Accordingly, there could be a decrease in your Social Security benefits or other benefits (e.g., pension, disability and life insurance) which are based on taxable compensation.

If you have any further questions regarding the terms of this Program, contact your Human Resources Department.